

BEFORE THE NEBRASKA PUBLIC SERVICE COMMISSION

In the Matter of Aquila, Inc.) Application No. NG-0004.1
d/b/a Aquila Networks (Aquila),)
Omaha, seeking a waiver of the)
30-day notice period under Neb.)
Rev. Stat. §66-1854 and to) ORDER GRANTING APPLICATION
recover the gas cost portion of)
uncollectible accounts through)
its Gas Cost Adjustment tariff.) Entered: November 22, 2005

BY THE COMMISSION:

On June 27, 2005, Aquila, Inc. (Aquila) filed an application proposing that Aquila be permitted to recover the gas cost portion of Aquila's uncollectible accounts through the Gas Cost Adjustment (GCA) process.

Notice of the application was published in the *Daily Record*, Omaha, on June 30, 2005. On August 9, 2005, the Commission granted the Public Advocate's Petition for Formal Intervention. Hearing on this matter was held on October 12, 2005. The parties further submitted briefs on the issue on November 7, 2005.

E V I D E N C E

Aquila's application with attachments and all discovery responses were entered into the record in support of Aquila's request.

Glenn Dee also testified on behalf of Aquila. According to Mr. Dee, Aquila proposes that it recover the portion of uncollectible accounts attributable to gas cost which exceeded what was anticipated in the previous rate case. Mr. Dee further explained its bad debt expense includes the customer charge, the delivery charge and the gas cost charge. Aquila does not seek to recover any of the customer or delivery charges. Mr. Dee testified that Aquila, as a regulated entity, has an obligation to provide service regardless of credit worthiness and is, therefore, less able to control the amount of bad debt expense it incurs. Mr. Dee stated that a granting of this application would not change Aquila's collection policies.

The Public Advocate offered into the record a Resolution 1004-03 adopted on June 15, 2004, by the National Association of State Utility Consumer Advocates encouraging regulatory commissions not to include bad debt expenses within the Gas Cost Adjustment (GCA).

Additionally, William Glahn, a consultant employed by the Public Advocate, testified in opposition to Aquila's application. In sum, Mr. Glahn testified that the gas cost portion of uncollectible accounts does not fit within Neb. Rev. Stat. § 66-1854(1) (2003 Reissue) which describes the costs allowed within the GCA and that it is an expense better handled through the full rate-making process. He also stated that to allow the adjustment would remove an incentive for the utility to manage its bad debt expense and collection efforts.

O P I N I O N A N D F I N D I N G S

"[A]ll grants of power, authority, and jurisdiction in the act made to the commission shall be liberally construed, and all incidental powers necessary to carry into effect the provisions of the act are expressly granted to and conferred upon the commission." Neb. Rev. Stat. 66-1804(2) (Reissue 2003).

Pursuant to § 66-1854(1), the Commission is required to allow "jurisdictional utilities to implement and thereafter modify gas supply cost adjustment rate schedules that reflect increases or decreases in the cost of the utility's gas supply."

The Commission agrees that generally the State Natural Gas Regulation Act provides that Aquila will recover the cost of the actual natural gas commodity. This cost is intended to be passed through to consumers and the GCA permits adjustments to enable the utility to recover these costs. The costs permissible in the GCA, at the Commission's discretion, include but are not limited to "costs related to gas price volatility risk management activities, the costs of financial instruments purchased to hedge against gas price volatility, if prudent, and **other relevant factors.**" § 66-1854(1)(emphasis added).

We find that the amount of uncollectible accounts attributable to gas costs, in excess of the amount included in the most recent rate case, falls within the "costs related to...other relevant factors" contemplated in § 66-1854.

Therefore, the Commission finds that Aquila shall be permitted to recover the portion of its uncollectible accounts attributable to the actual cost of the natural gas through the GCA as proposed. However, should the amount of uncollectible accounts fall below that contemplated in the previous rate case as calculated in Aquila's application, any difference in the uncollectible accounts attributable to natural gas costs be refunded to ratepayers through the GCA.

Aquila shall conduct a true-up of above-described bad debt gas costs through the GCA within twelve (12) months of the effective date of this order.

As stated above, inclusion of these costs in the GCA is in the Commission's discretion pursuant to Neb. Rev. Stat. § 66-1854(1). Nothing in this Order shall preclude the Commission from re-evaluating the practice and procedures specified in the application.

O R D E R

IT IS THEREFORE ORDERED by the Nebraska Public Service Commission that Aquila's application is granted with the conditions outlined herein.

MADE AND ENTERED at Lincoln, Nebraska, this 22nd day of November, 2005.

NEBRASKA PUBLIC SERVICE COMMISSION

COMMISSIONERS CONCURRING:

Chairman

ATTEST:

Executive Director